

VZCZCXRO5397
RR RUEHIK RUEHYG
DE RUEHSL #0461/01 1631004
ZNR UUUUU ZZH
R 121004Z JUN 06
FM AMEMBASSY BRATISLAVA
TO RUEHC/SECSTATE WASHDC 9929
INFO RUEHZG/NATO EU COLLECTIVE

UNCLAS SECTION 01 OF 02 BRATISLAVA 000461

SIPDIS

SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [ECON](#) [KPAO](#) [SCUL](#) [LO](#)
SUBJECT: EDUCATION, EU FUNDS, AND ELECTIONS

11. Summary. Education has been a quiet issue in this campaign, but will be a primary target for post-election reform and spending initiatives. The GOS has prioritized education and the "knowledge-based economy" both in its 2006 budget and its recently approved 2007-2013 plan for over 11 billion euro in new EU convergence funds. Other parties are eager to push their own education initiatives, but it is unclear whether they would use EU funds for education to the same extent that the GOS and especially Finance Minister Ivan Miklos would like. In any case, EU funds serve to justify every party's promises to simultaneously cut taxes and increase spending, on education and elsewhere, without a concrete plan for how EU funds should be used. End Summary.

Problems and Promises

12. Throughout Slovakia, SDKU billboards with pictures of Finance Minister Miklos carry the slogan, "It's about Education." The choice of slogan is an attempt to frame education -- which has remained untouched by the "reform agenda" over the past eight years -- as the GOS' top policy target for the next four years. (Miklos himself has told people that he wouldn't mind being Minister of Education in the next government.) Complaints about the education sector include the following: university graduates not meeting the needs of foreign investors, low teacher pay and quality, rote learning in secondary schools, large class sizes, weak university accreditation standards, poorly equipped tuition-free universities, and a shortage of quality technical schools. To address these concerns, the Ministry of Finance pushed forward a 6.1 percent increase in the 2006 education budget. Mr. Miklos is also the architect of the Minerva Project, Slovakia's plan to become the next Ireland by upgrading the country's education system, science, research and development, business environment, and information technologies. Future plans for the Minerva program are hazily defined in SDKU campaign literature, and the party's education platform provides few departures from current policy other than that public universities should have the right to charge tuition.

13. SDKU's rivals provide more detailed campaign promises on education. Smer calls for raising education expenditures from 4.4% to 5% of GDP, increasing science and research funding from 0.6% to 0.8%, and maintaining tuition-free university education. SMK, a coalition partner, also calls for 5% GDP expenditure and for raising teacher salaries to the average national wage. KDH goes further, calling for teachers to receive 120% of the average national wage. HZDS calls for a near-tripling of science and research funding to 1.5% of GDP and calls for more teachers and smaller class sizes. Slobodne Forum would up the ante to 6% of GDP on education. SNS, the nationalist party, keeps it simple: education is free.

EU funds: how to spend 14 billion dollars?

¶4. When discussing plans for education, taxes, health care, etc., parties do not talk directly about the elephant in the room -- European Union convergence funds. Over the timeframe 2007-2013, Slovakia will receive 11.24 billion euro from the European Union convergence fund, plus another 123 million in other EU funds for Bratislava, which is already above the EU average GDP threshold and therefore ineligible for convergence funds. Divided over seven years, this amounts to approximately 63 billion SKK, or just over USD 2 billion per year. Considering that the 2006 state budget is 330 billion SKK and all public expenditures equal 717 billion SKK, EU funds will add 19 percent to the state budget and over 8 percent of all public expenditures. It is questionable whether the GOS can even spend these funds effectively, considering that as of May it had only drawn 21 percent of the 1.2 billion euro in EU funds that it had been allocated for the 2004-2006 period.

¶5. In May the GOS announced its National Strategic Reference Framework for EU funds for 2007-2013, i.e., it's preliminary allocations for EU funds. Under this plan, 3.4 billion euro will be dedicated to transportation infrastructure, 2.6 billion to the knowledge-based economy, 1.5 billion to regional programs, 1.45 billion to environmental protection, and roughly 1.43 billion to education, with the remainder left for other programs. This breakdown is not so different from programs proposed by neighboring new EU members, but the amounts Slovakia has dedicated to transportation and education are higher than average. This is especially true since its knowledge-based economy allocations appear to be direct investments in universities and related R&D. The education and knowledge-based economy sections are the least clear portions of the plan, however, which leave room open for flexibility (and political rewards). Transportation

BRATISLAVA 00000461 002 OF 002

funds, in contrast, are focused on specific highway projects such as Bratislava-Kosice and Zilina-Poland.

¶6. These allocation levels can easily be changed each year. In fact, the new plan is already something of a dead letter, since officials from the poor eastern provinces of Kosice and Presov point out that under this plan their regions obtain less from cohesion funds than what EU regulations allow. Looking forward, any new government will likely make significant changes to EU funding priorities in order to fulfill its campaign promises. Smer, for example, with its emphasis on health care, has indicated that it would dramatically increase spending in the health sector. To accomplish this goal, it would certainly spend much more than the GOS' currently projected 200 million euro in EU funds on health, which suggests less funding available for education spending. No political party has issued a concrete statement on exactly how EU funds should be used, as far as we can determine.

Outlook

¶7. Education is an issue that parties feel free to use as a laboratory, since EU convergence funds are available to underwrite almost any new policy initiative. Each party's lack of discipline in putting together a clear platform for education and EU fund usage leaves it open to question whether an effective education program can be carried out over the next four years.

VALLEE